

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

A

W-02234A
H2O, Inc.
41502 N. Schnepf Road
Queen Creek, AZ 85242

ANNUAL REPORT

RECEIVED

APR 17 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

FOR YEAR ENDING

12	31	2005
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FOR COMMISSION USE

ANN04	05
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entered
4-18-06
RF

COMPANY INFORMATION

Company Name (Business Name) H2O, INC

Mailing Address 41502 N SCHNEPF RD.

(Street)

QUEEN CREEK

(City)

AZ

(State)

85242

(Zip)

480-491-6971

Telephone No. (Include Area Code)

480-491-6739

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address donald@h2o-inc.com

Local Office Mailing Address same as above

(Street)

(City)

(State)

(Zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact: DONALD L SCHNEPF PRESIDENT

(Name)

(Title)

41502 N. Schnepf Rd

(Street)

Queen Creek

(City)

AZ

(State)

85242

(Zip)

480-491-6971

Telephone No. (Include Area Code)

480-491-6739

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address donald@h2o-inc.com

On Site Manager: same as above

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Email Address _____

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: DAREL SCHNEPF

(Name)

11051 E. BALANCING ROCK RD

SCOTTSDALE,

AZ

85267

(Street)

(City)

(State)

(Zip)

480-491-6971

Telephone No. (Include Area Code)

480-491-6739

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney: RICHARD L SALLQUIST- SALLQUIST & DRUMMOND PLLC

(Name)

2525 E. ARIZONA BILTMORE CIRCLE #117

PHOENIX, AZ

85016

(Street)

(City)

(State)

(Zip)

602-224-9222

Telephone No. (Include Area Code)

602-224-9366

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☒ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☒ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

COMPANY NAME

H2O, INC.

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accum Depn (AD)	O.C.L.D. (OC - AD)
301	Organization			
302	Franchises	42,960	379	42,582
303	Land & Land Rights	7,954	0	7,954
304	Structures	246,686	5,064	241,623
307	Well & Springs	206,632	35,230	171,402
311	Pumping Equipment	3,303,543	156,235	3,147,308
320	Water Treatment Equipment	39,166	9,105	30,061
330	Dist Reservoirs	2,157,988	72,240	2,085,748
331	Trans & Dist Mains	1,395,613	341,451	1,054,163
333	Services	173,794	36,550	137,244
334	Meters	1,625,061	268,208	1,356,853
335	Hydrants	28,407	4,597	23,810
336	Backflow Devices	0	0	0
339	Other Plant	0	0	0
340	Office Furniture	77,167	34,903	42,264
341	Transporation Equipment	60,495	11,269	49,226
343	Tools & Equipment	35,721	8,919	26,802
344	Laboratory Eq			0
345	Power Operated Equipment	29,569	23,479	6,089
346	Communication Equipment	228,989	11,137	217,853
347	Miscellaneous Equipment	0	0	0
348	Other Tangible Plant	120,579	55,230	65,349
PLANT HELD FOR FUTURE USE				
303.1	Land	1,236	0	1,236
311.1	Pumping Equipment	48,292	48,292	0
	TOTALS	9,829,853	1,122,288	8,707,565

This amount goes on the Balance Sheet Acct. No. 108



COMPANY NAME	H2O, INC.
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CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1 x 2)
301	Organization			
302	Franchises	42,960.13	0.11%	48.01
303	Land & Land Rights	7,954.00	0.00%	0.00
304	Structures	246,686.36	0.38%	943.10
307	Well & Springs	206,631.73	1.96%	4,045.97
311	Pumping Equipment	3,303,543.27	1.00%	33,077.50
320	Water Treatment Equipment	39,166.26	6.45%	2,524.96
330	Dist Reservoirs	2,157,987.96	0.66%	14,267.65
331	Trans & Dist Mains	1,395,613.41	2.01%	28,115.54
333	Services	173,793.72	4.55%	7,907.95
334	Meters	1,625,061.00	8.05%	130,831.90
335	Hydrants	28,407.19	0.07%	20.09
336	Backflow Devices	0.00		
339	Other Plant	0.00	0.00%	0.00
340	Office Furniture	77,167.16	8.52%	6,570.95
341	Transportation Equip	60,494.90	7.49%	4,533.05
343	Tools & Equip	35,720.93	2.98%	1,062.98
344	Laboratory Eq	0.00		
345	Power Operated Equipment	29,568.68	3.79%	1,120.51
346	Communication Equipment	228,989.44	1.16%	2,649.19
347	Miscellaneous Equipment	0.00		
348	Other Tangible Plant	120,579.13	13.57%	16,365.15
PLANT HELD FOR FUTURE USE				
303.1	Land	1,236	0.00%	0
311.1	Pumping Equipment	48,292	0.00%	0
TOTALS		9,829,853	2.58%	254,084.50

This amount goes on Comparative Statement of Income and Expense Acct. No. 403.

COMPANY NAME	H2O, INC.
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BALANCE SHEET

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	769,004	1,497,662
134	Working Funds		
135	Temporary Cash Investments	7,083	0
141	Customer Accounts Receivable	142,776	216,281
146	Notes/Receivables from Associated Companies	75,389	101,674
151	Plant Material and Supplies	0	0
162	Prepayments	16,551	27,136
174	Miscellaneous Current and Accrued Assets	(23,400)	(690,608)
	TOTAL CURRENT AND ACCRUED ASSETS	987,403	1,152,145
	FIXED ASSETS		
101	Utility Plant in Service	6,353,096	9,143,174
103	Property Held for Future Use	49,528	49,528
105	Construction Work in Progress	961,633	637,151
108	Accumulated Depreciation - Utility Plant	(927,551)	(1,122,288)
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	TOTAL FIXED ASSETS	6,436,706	8,707,566
	TOTAL ASSETS	7,424,109	9,859,711

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

COMPANY NAME	H2O, INC.
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BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 218,340	\$ 165,696
232	Notes Payable (Current Portion)	\$ -	\$ -
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	\$ 40,155	\$ 75,230
236	Accrued Taxes	\$ 29,211	\$ 28,419
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	\$ 14,726	\$ 42,775
	TOTAL CURRENT LIABILITIES	\$ 302,432	\$ 312,120
	LONG-TERM DEBE (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 273,569	\$ 244,932
	DEFERRED CREDITS		
251	Unamortized Premium on Debt		
252	Advances in Aid of Construction	\$ 2,822,145	\$ 3,214,795
255	Accumulated Defearred Investment Tax Credits		
271	Contrubutions in Aid of Construction	\$ 3,388,666	\$ 5,874,275
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax.		
	TOTAL DEFERRED CREDITS	\$ 6,210,811	\$ 9,089,070
	TOTAL LIABILITIES	\$ 6,786,812	\$ 9,646,122
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 38,785	\$ 38,785
211	Paid in Capital in Excess of Par Value	\$ 1,070,871	\$ 14,397
215	Retained Earnings (Sub S Corp prior to 1978)	\$ (46,276)	\$ (46,276)
	Retained Earnings (C Corp)	\$ (373,590)	\$ 207,752
	Current Operations	\$ (52,494)	\$ (1,070)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 637,297	\$ 213,589
	TOTAL LIABILITIES AND CAPITAL	\$ 7,424,109	\$ 9,859,711

COMPANY NAME	H2O, INC.
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COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	1,512,014.92	2,272,375.95
460	Unmetered Water Revenue		590.00
474	Other Water Revenue	68,389.13	177,628.78
	TOTAL REVENUES	1,580,404.05	2,450,594.73
	OPERATING EXPENSES		
601	Salaries and Wages	481,359.27	807,753.63
610	Purchased Water	5,184.54	30,789.16
615	Purchased Power	128,808.01	192,019.76
618	Chemicals	2,616.79	5,092.75
620	Repairs and Maintenance	140,616.40	237,519.97
621	Office Supplies and Expense	159,822.82	171,069.47
630	Outside Services	53,807.83	129,847.76
635	Water Testing	12,673.34	24,453.58
641	Rents	165,842.00	210,063.67
650	Transportation Expenses	137,709.50	153,475.14
657	Insurance - General Liability	21,298.00	38,892.60
659	Insurance - Health and Life	26,605.68	18,010.34
666	Regulatory Commission Expense - Rate Case	5,543.21	8,616.54
675	Miscellaneous Expense		
403	Depreciation Expense	209,003.90	254,084.53
408	Taxes Other Than Income	42,230.20	67,666.46
408.11	Property Taxes	40,383.92	82,691.03
409	Income Taxes	0.00	0.00
	TOTAL OPERATING EXPENSE	1,633,505.41	2,432,046.39
	OTHER INCOME/EXPENSE		
419	Interest and Dividend Income	-6,855.71	-3,567.38
421	Non-Utility Income	-38,534.93	-37,423.74
426	Miscellaneous Non-Utility Expenses	32,064.86	47,657.16
427	Interest Expense	12,718.60	12,952.76
	TOTAL OTHER INCOME/EXP	-607.18	19,618.80
	NET INCOME (LOSS)	-52,494.18	-1,070.46

SUPPLEMENTAL FINANCIAL DATA**Long-Term Debt**

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	1985	1999		
Source of Loan	Well & Pump Purchase	WIFA		
ACC Decision No.	56327	62620		
Reason for Loan	Backup Source Well	New Source Pump & Storage		
Dollar Amount Issued	\$ 40,000.00	\$ 254,117.00	\$	\$
Amount Outstanding	\$ 32,444.00	\$ 225,701.00	\$	\$
Date of Maturity	Open	2021		
Interest Rate	9.0 %	5.84 %	%	%
Current Year Interest	\$ 0.00	\$ 12,952.76	\$	\$
Current Year Principle	\$	\$ 8,613.52	\$	\$

Meter Deposit Balance at Test Year End

\$1,464,631.33

Meter Deposits Refunded During the Test Year

\$ 102,909.50

WATER COMPANY PLANT DESCRIPTION**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-605835-(1)	200	1050	1200'	20"/16"	6"	1950
55-605837-(3)	200	500	1200'	16"/14"	8"	1966
55-605834-(4)	400	1400	1200'	16"/14"	10"	1966
55-605836-(2)	n/a	n/a	1200'	20"/16"	n/a	1950
55-625006-CG	300	1400	940+	16"	10"	1972
55-609158-PCN	300	1200	878'	16"	10"	1946

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
QUEEN CREEK WATER COMPANY		6656.49

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
15	7	421	
20	3		
50	15		
100	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
200,00	1	5,000	4
300,000	1		
500,000	1		
750,000	4		

WATER COMPANY PLANT DESCRIPTION (CONTINUED)**MAINS**

Size (in inches)	Material	Length (in feet)
2		
3		
4		
5		
6		
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	228
3/4	5041
1	189
1 1/2	16
2	44
Comp. 3	
Turbo 3	33
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

2- CAPITAL CONTROL GAS CHLORINATOR

3- REGAL GAS CHLORINATOR

STRUCTURES:

Electric Service Enterances on Wells 1,3,4, Castlegate and Pecan Creek North

Chlorine enclosures at Main Plant and Links/Cambria Plant/Castlegate Plant/Pecan Creek North Plant.

Steel shade over pumps & electrical equipment at Main & Links/Cambria Plants/Castlegate/Pecan Creek North Plants. Chain link fences at Well #3

8' Concrete block walls @ Main Plant, Well #4, Links/Cambria, Castlegate & PCN Plants

OTHER:

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2005

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	4140	20,601.9	26,385.
FEBRUARY	4213	20,758.6	28,619.
MARCH	4486	24,903.4	24,418.
APRIL	4867	48,198.7	55,780.
MAY	5094	52,637.1	69,257.
JUNE	5327	90,637.9	62,735.
JULY	5435	79,872.6	89,586.
AUGUST	5607	62,124.7	74,322.
SEPTEMBER	5692	72,779.2	73,385.
OCTOBER	5801	60,588.0	63,340.
NOVEMBER	5818	60,028.3	62,484.
DECEMBER	5778	57,774.4	59,895.
TOTAL		632,090.2	690,206.

Is the Water Utility located in an ADWR Active Management Area (AMA)?

☒ Yes ☐ No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

☒ Yes ☐ No

If yes, provide the GPCPD amount: _____ 100

What is the level of arsenic for each well on your system. See attached mg/l
(If more than one well, please list each separately.)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

H2O, INC.

**2005 Arsenic
Each Source Well**

ADWR#	55-605834	55-605006	55-609158
H2O ID	Well #4	Castlegate	Pecan Creek North
Quarter			
Mar-05	0.003	0.002	0.003
May-05	0.003	0.002	0.002
Jul-05	0.003		
Nov-05		0.002	0.002
AVERAGE DETECTED	0.003	0.002	0.002
MCL	0.05	0.05	0.05

COMPANY NAME H2o, Inc. **YEAR ENDING 12/31/2005**

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2005 was: \$ 52,111.45

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

National Bank of Arizona

ACCOUNT # 0106007948

This Statement:
May 31, 2005
PAGE 2 of 2

2179891 121
Date 5-17-05

Pay to the order of FDAL COUNTY TREASURER \$ 22,170.38

Remitted from San Francisco San Francisco A 50/1000000 Pay to the order of ENC

National Bank 900-44-10604 \$21,637.32
OF ARIZONA 104-22-00000 \$22.38
To: San Francisco 50.38

63121058204 0106007948 0121 /0002210321

Processed 05/20/05 \$22170.38 Ch# 121

⑈10100004⑈
10/21/2005
L4142687LL

This is a LEGAL COPY of
your check. You can use it
the same way you would
use the original check.

⑈12210002⑈ 10/20/2005
00514031490

H&B, INC. OPERATING ACCOUNT HIGH INTEREST CHECKING ACCOUNT CLASS OF SERVICE 0001		4747
DATE 10/20/2005		
PAY TO THE ORDER OF	PINAL COUNTY TREASURER	\$ 30,541.07
Thirty Thousand Five Hundred Forty One and 07/100		DOLLARS & 10/100
PINAL COUNTY TREASURER P.O. BOX 788 FLORENCE, AZ 85233-0729		
MICR LINE: ⑈004747⑈ ⑈10310204⑈ ⑈0023227⑈ ⑈0003054107⑈		

⑈004747⑈

⑈10310204⑈

⑈0023227⑈

⑈0003054107⑈

Check 4747, Amount \$30,541.07 Processed 10/21/2005

H2O, INC.
OPERATING ACCOUNT
41502 NORTH SCHNEPP ROAD
QUEEN CREEK, AZ 85242

HOME NATIONAL BANK
86-204/1031

4747

10/13/2005

PAY TO THE
ORDER OF

PINAL COUNTY TREASURER

\$ **30,541.07

Thirty Thousand Five Hundred Forty-One and 07/100

DOLLARS

PINAL COUNTY TREASURER
P.O. BOX 729
FLORENCE, AZ 85232-0729

H2O INC.

DOMESTIC

SERVICE

VOID AFTER 90 DAYS

COPY NOT NEGOTIABLE

MEMO

⑈004747⑈ ⑆103102041⑆ 10023227⑈

H2O, INC. / OPERATING ACCOUNT

4747

PINAL COUNTY TREASURER

10/13/2005

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/05/2005	Bill	PARCEL 104-47-038B	75.76	75.76		75.76
10/05/2005	Bill	PARCEL 104-46-061B	62.78	62.78		62.78
10/05/2005	Bill	PARCEL 104-46-077C	92.94	92.94		92.94
10/05/2005	Bill	PARCEL 908-44-44040	29,979.58	29,979.58		29,979.58
10/05/2005	Bill	PARCEL 908-44-403F2	17.14	17.14		17.14
10/05/2005	Bill	PARCEL 104-22-038B	301.89	301.89		301.89
10/05/2005	Bill	PARCEL 104-69-001F	10.98	10.98		10.98
				Check Amount		30,541.07

H2O INC.

DOMESTIC

SERVICE

OPERATING ACCOU

30,541.07

H2O, INC. / OPERATING ACCOUNT

4747

PINAL COUNTY TREASURER

10/13/2005

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/05/2005	Bill	PARCEL 104-47-038B	75.76	75.76		75.76
10/05/2005	Bill	PARCEL 104-46-061B	62.78	62.78		62.78
10/05/2005	Bill	PARCEL 104-46-077C	92.94	92.94		92.94
10/05/2005	Bill	PARCEL 908-44-44040	29,979.58	29,979.58		29,979.58
10/05/2005	Bill	PARCEL 908-44-403F2	17.14	17.14		17.14
10/05/2005	Bill	PARCEL 104-22-038B	301.89	301.89		301.89
10/05/2005	Bill	PARCEL 104-69-001F	10.98	10.98		10.98
				Check Amount		30,541.07

PAYMENT
RECORDED

OPERATING ACCOU

30,541.07

Pinal County Treasurer TAX RECEIPT

PO Box 729

Florence, AZ 85232-0729

Phone: (520) 866-6412 Fax: (520) 868-9007

www.co.pinal.az.us/treasurer e-mail: treasurer@co.pinal.az.us

Paid By: H2O INC

41502 N SCHNEPF RD

QUEEN CREEK, AZ 85242

MAIL Batch: 2178891

Payment Date: 5/18/2005

Interest Date: 5/18/2005

Printed By: TRSTAD

Parcel Number	Description	Amt Pd	Balance Due	If Paid By
104-22-038B6	2004 Taxes	278.26		
	2004 Int/Fee	3.71		
	Paid	281.97	.00	
	Total Paid	<u>281.97</u>		
BEG AT N1/4 COR OF SEC 20-2S-8E; TH E-198.92' TO TPOB T HE-200' OF S-283' TH W-200' TH N-283' SEC 20-2S-8E 1. 30 AC				

www.co.pinal.az.us/treasurer e-mail: treasurer@co.pinal.az.us

Parcel Number	Description	Amt Pd	Balance Due	If Paid By
104-46-077C5	2004 Taxes	50.89		
	2004 Int/Fee	.67		
	Paid	51.56	.00	
	Total Paid	<u>51.56</u>		
QUEEN CREEK RANCHOS: TRACT 9.52 AC				

www.co.pinal.az.us/treasurer e-mail: treasurer@co.pinal.az.us

Parcel Number	Description	Amt Pd	Balance Due	If Paid By
908-44-40404	2004 Taxes	21,550.19		
	2004 Int/Fee	287.33		
	Paid	21,837.52	.00	
	Total Paid	<u>21,837.52</u>		
TOTAL VALUE OF OPERATING PROPERTY				
104-26-139	2,580 104-46-095-B			
3,600				

**VERIFICATION
AND
SWORN STATEMENT**
Taxes

RECEIVED
APR 17 2006

VERIFICATION

STATE OF ARIZONA

**I, THE UNDERSIGNED
OF THE**

COUNTY OF (COUNTY NAME)
<u>PINAL</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>DONALD SCHNEPF</u>
COMPANY NAME
<u>H2o, Inc.</u>

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

**DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE
ARIZONA CORPORATION COMMISSION**

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2005</u>

**HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS,
PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY
EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND
CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE
PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY
MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE,
INFORMATION AND BELIEF.**

SWORN STATEMENT

**I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT
AND PAID IN FULL.**

**I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND
PAID IN FULL.**



SIGNATURE OF OWNER OR OFFICIAL

480-491-6971

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 12th **DAY OF**



MY COMMISSION EXPIRES March 6, 2008

COUNTY NAME	<u>Maricopa</u>	
MONTH	<u>April</u>	<u>2006</u>



SIGNATURE OF NOTARY PUBLIC

COMPANY NAME H2o, Inc.

YEAR ENDING 12/31/2005

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	_____
Estimated or Actual Federal Tax Liability	_____ -0- _____

State Taxable Income Reported	_____
Estimated or Actual State Tax Liability	_____ -0- _____

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	_____
Amount of Gross-Up Tax Collected	_____
Total Grossed-Up Contributions/Advances	_____

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

SIGNATURE

DATE

PRINTED NAME

TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED
APR 17 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	PINAL
NAME (OWNER OR OFFICIAL) TITLE	DONALD SCHNEPF PRESIDENT
COMPANY NAME	H2o, Inc.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2005 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 2,615,946.56

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 165,351.81
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**


SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

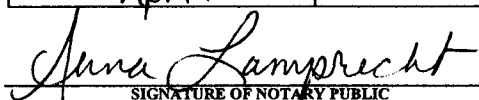
THIS 12th **DAY OF**



MY COMMISSION EXPIRES March 6, 2008


SIGNATURE OF OWNER OR OFFICIAL
480-441-6971
TELEPHONE NUMBER

COUNTY NAME	Maricopa	
MONTH	April	2006


SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

RECEIVED

APR 17 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) PINAL	
NAME (OWNER OR OFFICIAL) DONALD SCHNEPF	TITLE PRESIDENT
COMPANY NAME H2o, Inc	

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2005 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 1,728,821.04

**(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 109,477.89
IN SALES TAXES BILLED, OR COLLECTED)**

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**


SIGNATURE OF OWNER OR OFFICIAL

(80-491-6971)
TELEPHONE NUMBER

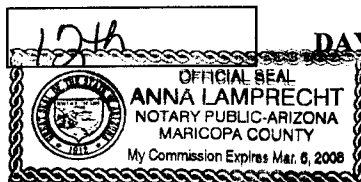
SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

(SEAL)

MY COMMISSION EXPIRES



March 6, 2008

NOTARY PUBLIC NAME Anna Lamprecht	
COUNTY NAME Maricopa	
MONTH April	2006

X 
SIGNATURE OF NOTARY PUBLIC